

**AN APPRAISAL
OF THE
METROPOLITAN SCHOOL
DISTRICT PROPOSAL
FOR THE
EDMONTON AREA**



Submitted by the Council
of the
**MUNICIPAL DISTRICT OF STRATHCONA
No. 83**

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There are many questions raised by the proposal to set up a metropolitan school district in the Edmonton area. They are varied in character. Some pertain to administrative matters, some to the effects upon local government as an institution, some to matters of equity, some to standards of local government services, some to rural-urban differentials in taxation and service levels, and some to such economic aspects as the effect upon industrial development and investment in the Edmonton area.

THE EFFECT UPON LOCAL GOVERNMENT

The proposal superimposes a requisitioning body upon all of three tax-levying and many-function bodies, the City of Edmonton and the Towns of Beverly and Jasper Place, and partially upon four others, the Municipal Districts of Morinville, Stony Plain, Strathcona and Sturgeon. This has a number of ramifications.

The metropolitan school district would, like other school boards, not be responsible financially to the seven councils which levy all local taxes in the proposed region and which administer a variety of services. Thus one of the defects of rural local government, the overlapping of boundaries of school divisions and hospital districts and municipal districts, would be introduced on the urban scene. This overlapping in the rural areas increases the problems arising out of the separation of financial responsibility from legislative and administrative functions. It is true that this separation also exists in the cities; financial responsibility rests upon the city council, while legislative and administrative functions are divided between the council and other local authorities such as the school boards. But the boundaries of jurisdiction coincide so that the problem of overlapping territorial jurisdiction is not present. At present it is possible for the city council to consult readily enough with the school boards within the same area before they submit their requisitions.

If seven councils have to try to consult the two school boards of the proposed metropolitan district, one can foresee serious differences of opinion on financial matters. If no check is imposed on the school authorities with respect to finance, municipal budgets are disrupted and it becomes difficult for the councils, which provide all the non-school services, to conceive integrated long-term plans, to apply appropriate budgetary techniques and to put their financial houses in order. A requisitioning body which is larger than any of the requisi-

tioned units is especially to be condemned. Dwarfing the tax-levying units, without financial responsibility and with the difficulties the municipal councils of the unit would have in agreeing upon an appropriate school mill rate, the school district proposed could, with all due respects to education as one of the important functions of the government, push education expenditures to a point which would impinge seriously upon the ability of councils to provide other essential services.

The all-function county, having financial, administrative, and legislative responsibility, has been accepted by the provincial government of Alberta as a solution of the rural overlapping of jurisdictions and division of authority among the local units. The proposal of a special-function district in the Edmonton area, with administrative and legislative jurisdiction, but lacking financial responsibility, over an area with all or parts of seven municipalities constitutes a contradiction of the main principle underlying the organization of counties in Alberta.

The coordination of local government budgets is a matter of great importance. It is difficult enough at any time to provide a sufficiency of services from local taxes. To get the most out of the tax-dollar, spending departments and units must subject their estimates to the controlling body which raises the revenue. Administrators of a specific service among the many provided by governments cannot judge whether or not an additional \$10,000 spent for the service near and dear to their hearts would be more beneficial than if it were spent on some other service or services or if it were simply left with the taxpayers to spend as they see fit. Only a central department which has the function of weighing the merits of the claims of the spending departments and of the taxpayers can attempt to assess the benefits to the people of the area concerned. This central department alone can have the overall view required since it possesses the most information as to the amount of revenue that can be raised and as to citizens' preferences or priorities for different services. If budget plans are to be coordinated with a metropolitan school district in operation it would be necessary for the seven councils concerned to meet with the school authorities to discuss school estimates before they can proceed with their own. Whether this could be done annually without many frictions and delays is dubious. It is true that such consultation takes place now, but since boundaries for the urban units are co-terminous, agreement can be secured without undue friction.

The setting up of special-function units at any time means that citizens have to look at and study two or more sets of authorities, a feature which is destructive of popular understanding of government. If the cultivation of such understanding is not deemed to be of consequence, then technical and economic considerations may as well prevail alone and democratic government be abolished. Technical and economic efficiency are extremely desirable, but they cannot be the sole considerations in a democracy; it is up to citizens to learn about government and to promote its efficiency. It is very important that as many citizens as possible acquire an understanding of their governments. After all, government officials, no matter how expert, are not

all-seeing and all-knowing; they cannot know the common welfare without frequent reminders from citizens of what the latter would like. In the local government sphere, understanding is promoted by the setting up of governments with authority over all functions within a given area. Although such an authority is not found in our cities, the fact that the special function units and the municipalities have common boundaries eases the problem of understanding.

The metropolitan district proposal introduces elements which will aggravate the problem of citizen understanding. Further, future proposals might well be made to set up more special-function districts and confusion would then be worse confounded. Most citizens are busy people who have little enough of time and resources to devote to the study of their governments. They are entitled to know who are responsible for the level of taxation and expenditure. Any multiplication of special-function units with boundaries non-coincident with the tax-levying units makes it altogether too easy for one local government unit to pass the blame to other units for policies disliked by the public and citizens could easily be frustrated in their attempts to find out the wheres and whys of their governments. Any multiplication of special-function units, too, especially if they are larger than the tax-levying authorities, would bring about chaotic budgeting and serve to leave the expenditures of such units unrestrained. In the process the service functions of the tax-levying authority, some of which would be essential to the performance of the services of the special-function units, would be starved and pinched.

Great Britain had unfortunate experiences with special-function units during the nineteenth century and has gradually moved toward the adoption of a municipal system under which each local government is a body providing all local public services. American and Canadian local government experience, especially the American, is a record of confused and overlapping regimes of special-function units which becloud public understanding of local issues. The Alberta experience is similar but during the last three years the provincial government has sponsored the creation of rural all-purpose counties. As has been pointed out, the underlying principle of unity of the county idea is diametrically opposed to the principle of separation of authority which is found in the metropolitan school district proposal.

One more point in connection with the separation of authority and overlapping. Should the metropolitan school district be formed, more pupils from the areas outside the city would attend high schools in the city and a demand for extensions of the Edmonton Transportation system could well arise. Similarly, demands for streets and sidewalks might be induced. These would be matters to be dealt with by councils and not school boards although the demands are stimulated by school services.

ASSESSMENT ASPECTS

The metropolitan school district proposal would raise some thorny assessment problems which would have to be solved in order to approach equity among the taxpayers of the area in the event that

the proposal were put into effect. At present buildings and improvements are assessed at full value in the towns (Beverly and Jasper Place in this instance) and 1942 values are in use. In the City of Edmonton, buildings are assessed at 60 per cent of their value and 1944-45 values are used.

This state of affairs would entail changes in assessments to make them uniform throughout the area for school purposes. Either the City of Edmonton would have to change over to the system in the towns and rural areas or vice versa. The former would entail changes in the City Act of 1951 which provided for uniform city charters. It would also meet with widespread opposition by Edmonton city taxpayers, especially since it would tend to modify any financial advantage that might accrue from the inclusion of industrial assessment now outside the city. The latter alternative would call for special legislation with respect to assessments in the four municipal districts and the two towns concerned outside Edmonton. Such legislation could well lead to demands for similar procedures in other areas. Finally, valuations would have to be adjusted within the area on the basis of the values of a common year.

An alternative to changing the assessments would be to levy differing mill rates within Edmonton and outside. This still necessitates adjusting total assessed valuations to conform to a common year and to allow for the lower assessment of buildings and improvements within Edmonton.

With changes in the school assessment, municipalities would have to specify two assessed values, one for school and one for other purposes, for each parcel of land. If Edmonton changed over to the town-municipal-district system for school purposes, it might still retain the present system for non-school purposes. Or the municipalities outside Edmonton might use the Edmonton system for school purposes and the present one for non-school purposes.

To approach as equitable a state of affairs as possible, reassessments should be made by the assessors in the area whose system is to be used. The city assessor has his criteria; the town and rural have theirs. Although there are striking similarities in the criteria used by both, there are differences.

Enough has been said to indicate the assessment complications that would have to be introduced if the metropolitan school district is formed. These adjustments would serve to confuse taxpayers and indicate the kinds of questions that arise when overlapping, special-function units are formed. Another reason for careful consideration before action is taken on the proposed school plan appears.

This is the appropriate place to introduce the quantitative aspects of assessments in order to gauge the relative importance of the parts of the proposed district and in order to make estimates of revenue effects upon the different units. Table 1 is accordingly presented showing 1952 assessments under existing assessment practices; the figures for the three rural units are necessarily estimates since only

fractions of these units are included. Nevertheless the data can serve as a frame of reference and will be referred to as Assessment 1952 in the subsequent discussion.

It is not sufficient to look at 1952 assessments. Consequently Table 2 is presented to show 1954 assessment in order to take account of further industrial assessment. The data in this table will be referred to as Assessment 1954 in the subsequent discussion.

TABLE 1
School Assessment of the Proposed Metropolitan
School District, 1952
(000's omitted)

	Total	Percentage of Total
Edmonton Public Schools	\$141,164 (a)	77.2
Edmonton Separate Schools	24,781 (a)	13.6
Jasper Place	4,271 (b)	2.3
Beverly	1,058 (b)	0.6
Clover Bar	10,433 (c)	5.7
Stony Plain and Sturgeon.....	1,000 (d)	0.6
 Total Assessment	 \$182,707	 100.0

- (a) Information obtained from office of the city assessor of Edmonton.
 (b) Information obtained from the Department of Education.
 (c) Mr. Gertler estimated the loss of assessment in 1951 to Clover Bar at \$4,694,000 if the proposal were carried through. See his Notes on the Impact, pp. 2-3. In 1952 Clover Bar assessment was \$5,739,000 higher than in 1951, presumably chiefly because of the addition of more industrial assessment. No adjustment is made here for changes in assessments outside the Strathcona industrial area and the two figures were simply added.
 (d) Estimated very roughly, assuming 10 rooms with an average assessment of \$100,000. The figure may well be subject to considerable correction by someone who possesses more adequate data. The Stony Plain and Sturgeon portion, however, is relatively small.

TABLE 2
Estimated School Assessment of the Proposed
Metropolitan School District, 1954
(000's omitted)

	Total	Percentage of Total
Edmonton Public Schools	\$155,000 (a)	67.7
Edmonton Separate Schools	27,000 (a)	11.8
Jasper Place	4,700 (b)	2.1
Beverly	1,200 (b)	0.5
Clover Bar	40,000 (c)	17.4
Stony Plain and Sturgeon.....	1,100 (d)	0.5
 Total Assessment	 \$229,000	 100.0

- (a) Derived by taking the 1952 assessment, assuming a 10 per cent increase in the course of two years, and rounding off to the nearest million dollars.
- (b) Derived by taking the 1952 assessment, assuming a 10 per cent increase in the course of two years, and rounding off to the nearest \$100,000.
- (c) Derived by taking the total industrial assessment estimates of \$38,506,000 presented in Table 11 of the Gertler Report and adding another \$1,500,000 for other assessments in the area concerned.
- (d) Derived by taking the 1952 estimated assessment, assuming a 10 per cent increase in the course of two years.

The estimates stand subject to correction but they can serve to illustrate the process by which financial effects upon municipalities and school districts can be made. The percentages serve to show how the education requisition of the proposed area would be allocated.

The estimates make no allowance for different methods of assessment. Thus the Edmonton figures are based on 1944-45 values and 60 per cent of the value of buildings and improvements while the figures for other units are based upon 1942 values and 100 per cent valuation of buildings and improvements. It is difficult to adjust the Edmonton figures because of the lack of detailed assessment data. Consequently the adjusted estimates in Tables 3 and 4 are based on an adjustment of the assessments of the non-Edmonton units. This is probably the more realistic procedure too since it is unlikely that Edmonton would adopt a 100 per cent valuation of buildings and improvements and a 1942 value basis.

Table 3 sets out estimates for 1952 on the basis of 60 per cent valuation of buildings and improvements and 1944-45 values. The data in this table will be referred to as Assessment 1952 A in the subsequent discussion. Table 4 sets out similar estimates for 1954 and the data will be referred to as Assessment 1954 A in the subsequent discussion.

TABLE 3
Adjusted Assessment of the Proposed
Metropolitan School District 1952

	(000's omitted)	
	Total	Percentage of Total
Edmonton Public Schools	\$141,164 (a)	79.1
Edmonton Separate Schools	24,781 (a)	13.9
Jasper Place	3,250 (b)	1.8
Beverly	900 (c)	0.5
Clover Bar	7,500 (d)	4.2
Stony Plain and Sturgeon	900 (e)	0.5
Total Assessment	<u>\$178,495</u>	<u>100.0</u>

(a) The same as in Table 1.

(b) In 1950 the municipal assessment in Jasper Place was apportioned as follows (000's omitted): Land, \$335; buildings and improve-

ments, \$1,172 on a 66 $\frac{2}{3}$ per cent basis; business, \$29; electric light and power, \$123; total, \$1,659. (Data from Department of Municipal Affairs, Annual Report, 1950.) The buildings and improvements assessment would equal \$1,758,000 if it were blown up to 100 per cent and the total assessment would be \$2,245,000. On this basis the buildings and improvements assessment would be 78 per cent of the total assessment. Applying this percentage to the school assessment of 1952, \$4,271,000, the buildings and improvements would equal about \$3,300,000 under the new assessments. To adjust this for 1944-45 values, about 10 per cent or \$330,000 should be added, making a total assessment of \$3,630,000 for buildings and improvements. The 10 per cent adjustment is made on the following basis: The wholesale prices of building materials in Canada rose from an index of 115.2 in 1942 (1926=100) to 127.3 in 1944 and 127.3 in 1945. The index of wages in the construction industries in Canada rose from 117.5 in 1942 to 128.4 in 1944 and 129.9 in 1945 (1926=100). Thus both types of building costs rose by almost 10 per cent 1942-45. (Data from Canada Year Book, 1951, p. 643.) A deduction of 40 per cent is next made to put the buildings and improvements assessment on a basis comparable to that of Edmonton. This entails deducting \$1,452,000 from \$3,630,000, thus making the building and improvements assessment equal to \$2,178,000. Other assessment, equalling \$4,271,000 less \$3,300,000 would be \$971,000. Adding 10 per cent to allow for increased land values 1942-45 would bring it up to \$1,068,000. Now adding \$2,178,000 and \$1,068,000 one gets \$3,246,000. This is rounded off.

- (c) Adjusted in the same way as in (b) and rounded off.
- (d) The \$10,433,000 assessment in Table 1 is split \$1,433,000 for land and \$9,000,000 for buildings and improvements. The first is increased by 10 per cent to allow for rising land values 1942-45 or to \$1,576,000. The second is increased similarly to \$9,900,000; but a 40 per cent reduction of \$3,960,000 is made, making the result \$5,940,000. Adding, one gets \$7,516,000. This is rounded off to \$7,500,000.
- (e) A rough estimate.

TABLE 4
Adjusted Estimated Assessment of the Proposed
School District, 1954

(000's omitted)

	Total	Percentage of Total
Edmonton Public Schools	\$155,000 (a)	72.1
Edmonton Separate Schools	27,000 (a)	12.6
Jasper Place	3,575 (b)	1.7
Beverly	990 (b)	0.5
Clover Bar	27,030 (c)	12.6
Stony Plain and Sturgeon	990 (d)	0.5
 Total Assessment	 \$214,585	 100.0

- (a) As in Table 2.
- (b) Derived by adding 10 per cent to the figures in Table 3 to allow for increase in assessment 1952-1954.
- (c) The assumed land assessment of \$1,433,000 at 1942 values is subtracted from the \$40,000,000 total in Table 2 to yield a buildings and improvements assessment of \$38,567,000 at 1942 values and 100 % evaluation. This figure is increased by 10 % to \$42,424,000 to allow for the rise in values 1942-45. From this is subtracted \$16,970,000 ,that is, 40 per cent to bring the assessed value to 60 per cent. The result equals \$25,454,000. To this is added the adjusted land value (1945) of \$1,576,000 to yield the total of \$27,030,000.
- (d) Derived by adding 10 per cent to the figure in Table 3 to allow for increase in assessment 1952-54.

The results in Table 1 to 4 inclusive are not to be regarded as more than estimates. They do serve to give an idea of the proportions that the separate parts of the proposed school districts would have to contribute to the education requisitions. Comparing Assessments 1952 and 1952 A one finds that the Edmonton proportion is greater under the adjusted 1952 A. Similarly it is considerably greater for 1954A than for 1954. If adjustments are not made, the industries now in Clover Bar and the Towns of Jasper Place and Beverly as well as other portions of the municipalities affected could legitimately raise the cry of discrimination in taxation.

The school divisions concerned would find themselves with reduced assessments. For Clover Bar the assessment totalled \$25,940,000 in 1951. Mr. Gertler estimates that this would be reduced to \$21,246,000 by removal of the industrial area. (See Notes on the Impact, p. 3.) The combined assessment of Stony Plain and Sturgeon was \$19,469,000 in 1951. If the \$1,000,000 set out in Table 1 is deducted the assessment would be \$18,469,000.

In connection with assessment, one more point deserves attention. This is that the Municipal Districts of Strathcona and Leduc, which together make up most of Clover Bar School Division, levy a tax on what is called personal property, chiefly equipment used in extracting petroleum and natural gas. This personal property assessment makes up a considerable part of the total assessment and compensates to some degree for the additional costs imposed upon the school division and the municipal district by oil exploration and production activity. Nevertheless it is an unstable portion of the tax base; it is here today and may be gone tomorrow while expenditures would be reduced little, if at all.

AREA ADJUSTMENTS

Presumably the proposed district is to embrace the metropolitan area defined by the Edmonton and District Planning Commission. The question arises, however, as to the extent to which new industries may indulge in "hedge-hopping". If there are continuous boundary changes

to adjust for this, assuming that it were desirable to include them in the metropolitan school district, the respect of citizens for local government would be undermined. They might come to feel that their local governments are mainly administrative areas under the close supervision of the provincial government. From the point of view of fostering a healthy democracy this tendency would be detrimental. Finally, one cannot grant the premise that industrial areas should be included in special-function districts set up almost exclusively for the purpose of assisting other areas. There is just as strong a case for including Clover Bar, Stony Plain, and Sturgeon school divisions in the proposed area as for the present proposal on financial grounds. Education costs and tax levels both tend to be higher in the rural areas, points which are discussed at a later stage.

EXPENDITURE EFFECTS

A large requisitioning unit of the type envisaged would encourage increased school expenditures in itself. The inclusion of areas with present levels of spending which are lower than those of Edmonton would intensify the tendency of the unit to encourage rising expenditure. The metropolitan school board would find itself faced with providing an equivalent level of services throughout the area if it were to avoid being discriminatory.

In the matter of capital expenditures, the board would presumably have to try to sell more bonds on a reluctant market. The Gertler Report estimates that \$2,079,000 would be required annually to equalize additional construction in Edmonton, Jasper Place and Beverly at the Edmonton Public School standard as against \$1,759,000 at present standards (see Report, p. 2 and Table 1). This is a difference of more than \$300,000 annually. But there would be an accelerated demand for improvements in the areas now below the Edmonton Public School standard. This would involve attempting to borrow even more than \$2,079,000 annually if the demand were met even partially.

Current expenditures would also have to rise if the Edmonton Public School standard were to prevail over the whole metropolitan area. Table 5 indicates the expenditure picture in various areas affected. From these data some observations may be made with respect to expenditures assuming the setting up of a metropolitan school district.

Any savings in administrative costs would be negligible; indeed it is questionable whether there would be any such savings. Administrative expenses are relatively small, not exceeding 3.0 per cent for any present unit. Further, the smaller units now have administrative expenses below that of the larger units.

Teachers' salaries constitute the largest expenditure item by far. They would rise to conform to the Edmonton Public School standard, which happens to be higher than those of the other units. It would be difficult, if not impossible, to have separate salary schedules or to lower the salaries of Edmonton teachers. As a matter of fact, neither alternative is realistic. The increase in salaries for the non-Edmonton group would not mean that a new set of more qualified and better

teachers would be hired for Jasper Place, Beverly, and the municipal district fringes. It is a doubtful proposition, anyway, to say that the teachers of the Edmonton Public Schools are better than those of the other units. The increase in teachers' salaries might be modified somewhat if the number of years of experience of the non-Edmonton group is lower on the average. Even this is doubtful because there are now many teachers on the Edmonton staff who receive credit only for their experience on the Edmonton staff. Presumably the non-Edmonton group would have to be given credit at least for their experience on the present staffs. There are other alternatives which need not be elaborated here, but one can foresee some major difficulties in the negotiations on teachers' salaries between a new metropolitan board and the various groups of teachers affected. The solution might well be to give all teachers full credit for experience anywhere in the province in order to prevent inequities. In that case there would be immediate significant increases in teachers' salaries.

TABLE 5
Expenditures of School Districts in the Edmonton Area, 1951

Percentages:	Edm'ton Public Schools	Edm'ton Separate Schools	Jasper Place	Beverly	Clover Bar
Administration	2.7	3.0	1.2	1.6	1.9
Teachers' Salaries	54.8	52.0	56.1	50.1	48.4
Other Instruction	5.5	0.9	2.3	1.0	3.3
Plant Operation and Maintenance	15.6	18.2	10.4	15.4	10.5
Transportation	0.0	0.5	0.0	0.0	14.8
Other Auxiliary Services	1.3	1.4	0.3	0.0	2.2
Capital from Current Revenue	0.0	9.2	17.2	10.3	12.8
Debt Charges	18.7	14.3	12.1	0.5	1.9
All Other Expenditure	1.4	0.5	0.4	21.1	4.2
Total Percentage	100.0	100.0	100.0	100.0	100.0
Total Expenditure (000's omitted)	\$3,930	\$650	\$211	\$51	\$657
Surplus (000's omitted)	\$181	\$39	\$16	\$22	\$40
Number of Pupils Enrolled	20,423	4,937	1,950	455	3,579
Expenditure per Pupil Enrolled ..	\$192	\$132	\$108	\$114	\$183

Sources: Expenditure data were obtained from financial reports of the schools. Enrolment data were obtained from offices of the school boards.

Note: The expenditures are for 1951; enrolments are as on June 30, 1952.

Expenditures on "other instruction" would no doubt rise as the substitute teacher system of the Edmonton Public School Board would have to be extended to cover the metropolitan area. In any event, such expenditures are much lower relatively in the non-Edmonton districts and it seems almost inevitable that they will rise.

Plant operation and maintenance is another item that would call for a higher level of expenditure in the outlying areas, especially as more elaborate buildings are constructed. Janitorial salaries in Jasper Place, Beverly, etc., would have to be raised to avoid discrimination.

There would probably be some transportation costs which are now practically nil. These would be incurred if students have to be transported to city high schools until high school facilities were provided on the outskirts. This would entail a working agreement with the Edmonton Transit System and the Edmonton City Council. It is but an illustration of the kinds of arrangements that have to be made when special-service units overlap the tax-levying, many-purpose authority's boundaries.

The level of "other auxiliary services" is low at present in Jasper Place and Beverly and some increase could be expected under the proposed plan.

Capital expenditure from current revenue and debt charges will rise with the accelerated growth of debt which would accompany the setting up of the metropolitan district.

All other expenditures would be diminished by the elimination of tuition fees now paid by Beverly and Jasper Place. The payments of Beverly are particularly heavy, and most of its "all other" category consists of tuition fees.

One question occurs at this point. Presumably the level of expenditure of the separate school board would not necessarily be equal to that of the public school board. The differential between the two would continue to obtain because of declarations of assessments. Any other apportionment would entail a violation of the separate school principle. It would be unfortunate, however, to raise religious controversies in the matter at hand.

It is difficult to venture upon estimates of future expenditures because of the uncertainty that always beclouds the future and because of the lack of precise data on what the pupil enrolments lost by Sturgeon, Clover Bar, and Stony Plain will be. Nevertheless estimates are attempted at a later stage. Table 6 shows estimates of the number of pupils enrolled.

TABLE 6
Estimated Number of Pupils in the Proposed District

	June 1952	June 1953	June 1955
Edmonton Public Schools	20,423 (a)	22,600 (c)	24,900 (f)
Edmonton Separate Schools	4,937 (a)	5,400 (c)	5,900 (f)
Jasper Place	1,950 (a)	2,200 (c)	2,450 (f)
Beverly	455 (a)	500 (d)	550 (f)
Clover Bar (part)	300 (b)	300 (e)	350 (g)
Sturgeon (part)	100 (b)	100 (e)	125 (g)
Stony Plain (part)	100 (b)	100 (e)	125 (g)
Total	28,265	31,200	34,400

- (a) Information obtained from school districts concerned.
- (b) Estimated in round figures.
- (c) September 1952 enrolment rounded off to the nearest 100.
- (d) Assumed 10 per cent increase rounded off.
- (e) Estimated in round figures.
- (f) Assumed 10 per cent increase rounded off.
- (g) Assumed.

The ratio of separate school pupils in Edmonton to the total number of pupils in that city on June 30, 1952, was 4,937 + 25,360 or 19.4 per cent. On this basis about 20 per cent of the pupils in the proposed district would be separate school pupils and about 80 per cent public school pupils. Expenditure estimates are made accordingly. Table 7 sets these out for 1951.

TABLE 7
Expenditures of the Proposed School District in 1951
(000's omitted)

	Actual 1951 (a)	Estimated 1951 (b)	Difference
Edmonton Public Schools	\$3,930	\$3,930	0
Edmonton Separate Schools	650	650	0
Jasper Place	211	350 (e)	139
Beverly	51	82 (f)	31
Clover Bar (part)	54 (c)	54 (f)	0
Stony Plain and Sturgeon (part) ..	34 (d)	36 (f)	2
Total	\$4,930	\$5,102	\$172

- (a) As separate districts.
- (b) As parts of a metropolitan school district and with the level of expenditure brought up to that of the Edmonton schools.
- (c) Estimated by multiplying 300 by \$180, the approximate expenditure per pupil in Clover Bar.
- (d) Estimated by multiplying 200 by \$170, the approximate expenditure per pupil in the two divisions.
- (e) The 1951 enrolment of 1,950 was divided as 80 per cent public (1,560 pupils) and 20 per cent separate (390 pupils). The total expenditure was obtained by multiplying 1,560 by \$192, the Edmonton Public Schools expenditure per pupil, and 390 by \$132, the Edmonton Separate Schools expenditure per pupil.
- (f) Estimated in the same way as for Jasper Place.

Table 8 sets out estimates of 1954 expenditures, using the estimated enrolments of June, 1955 (see Table 6). The 1951 expenditures per pupil, \$192 for public school pupils and \$132 for separate school pupils, are used. This makes no allowance for potential increase in debt charges and capital expenditure out of revenue. Teachers' salaries will also increase automatically because of annual scheduled increments.

But the estimates made provide the basis for ratio comparisons to illustrate the effects upon the separate units of the proposed district.

TABLE 8
Estimated Expenditures of the Proposed School District in 1954
(000's omitted)

	As Separate Districts	As Parts of Proposed Unit	Difference
Edmonton Public Schools	\$4,781 (a)	\$4,781	\$ 0
Edmonton Separate Schools	779 (b)	779	0
Jasper Place	265 (c)	441 (d)	176
Beverly	63 (e)	99 (f)	36
Clover Bar (part)	63 (g)	63 (h)	0
Stony Plain and Sturgeon (part) ..	42 (i)	45 (j)	3
Total	\$5,993	\$6,208	\$215

- (a) 24,900 times \$192 (See pupil estimates, Table 6).
- (b) 5,900 times \$132 (See pupil estimates, Table 6).
- (c) 2,450 times \$108, the 1951 level of expenditure per pupil.
- (d) 1,960 times \$192 plus 490 times \$132.
- (e) 550 times \$114.
- (f) 440 times \$192 plus 110 times \$132.
- (g) 350 times \$180.
- (h) 280 times \$192 plus 70 times \$132.
- (i) 250 times \$170.
- (j) 200 times \$192 plus 50 times \$132.

REVENUE ESTIMATES

It remains to examine revenues. Table 9 shows the actual revenues for 1951 of the four complete units and estimates have been made for the partial units.

TABLE 9
Revenue Estimates for 1951 of the Districts
as Separate Units
(000's omitted)

	Grants	Requisi- tions	Other	Total	Sur- plus	Requisi- tions less Surplus
Edmonton Public Schools (a)	\$372	\$3,543	\$195	\$4,110	\$181	\$3,362
Edmonton Separate Schools (a)	90	588	10	688	39	549
Jasper Place (a)	117	110	1	227	16	94
Beverly (a)	21	52	—	73	22	30
Clover Bar (part) (b)	6	48	—	54	0	48
Stony Plain and Sturgeon (part) (c)	11	23	—	34	0	23
Total	\$617	\$4,364	\$206	\$5,188	\$258	\$4,106

Total revenue less surplus—\$4,930,000 which is equal to the total expenditure as per Table 7.

- (a) Actual revenue as shown on 1951 financial statements.
- (b) Computed from expenditure requirement of \$54,000 shown in Table 7. The grant and requisition are computed by taking 15 and 85 per cent of \$54,000.
- (c) Computed similarly as for Clover Bar.

Table 10 sets out revenue estimates for 1954 assuming the districts continue to operate separately.

TABLE 10
Revenue Estimates for 1954 of the Districts
as Separate Units
(000's omitted)

	Grants (a)	Requisitions (b)	Other (c)	Total (a)
Edmonton Public Schools	\$454	\$4,091	\$236	\$4,781
Edmonton Separate Schools	108	659	12	779
Jasper Place	146	118	1	265
Beverly	25	38	—	63
Clover Bar (part)	8	55	—	63
Stony Plain and Sturgeon (part)	14	28	—	42
Total	<u>\$755</u>	<u>\$4,989</u>	<u>\$249</u>	<u>\$5,993</u>

- (a) Increases are estimated according to increases in pupil enrolment June, 1952 to June, 1955 shown in Table 6. No allowance is made for a general rise in provincial grants.
- (b) Residuals after deducting grants and other revenue from the totals.
- (c) Increases are estimated according to increases in pupil enrolment June, 1952, to June, 1955.

Finally, one has to estimate revenues for the proposed metropolitan school district operating as one unit and to show from where they would come. This is complicated by the necessity for comparing results under two sets of assessment methods. We turn first to revenue estimates for 1951 and assume that the apportionments of requisitions are made on the basis of the assessment percentages in Table 1 (Assessment 1952) and Table 3 (Assessment 1952A). Table 11 shows the results.

TABLE 11

**Estimated Revenues in 1951 and Their Apportionment Among
the Units of the Proposed Large District**

(000's omitted)

	E.P.S.	E.S.S.	Jasper Place	Bev- erley	Clover Bar (part)	S.P. & Stur. (part)	Total
1952 Assessment: (a)	77.2%	13.6%	2.3%	0.6%	5.7%	0.6%	100.0%
Grants	\$372	\$90	\$56(b)	\$14(b)	\$6	\$10(b)	\$548
Other revenue	185(c)	10	1	—	—	—	196
Requisitions (d)	3,364	593	100	26	249	26	4,358
Total required revenue (e)	\$3,921	\$693	\$157	\$40	\$255	\$36	\$5,102
1952A Assessment (f)	79.1%	13.9%	1.8%	0.5%	4.2%	0.5%	100.0%
Grants	\$372	\$90	\$56(b)	\$14(b)	\$6	\$10	\$548
Other revenue	185(c)	10	1	—	—	—	196
Requisitions (d)	3,447	606	78	22	183	22	4,358
Total required revenue (e)	\$4,004	\$706	\$135	\$36	\$189	\$32	\$5,102

- (a) According to estimates made in Table 1 and percentage distribution of units therein.
- (b) Loss of equalization grants would follow amalgamation. For 1951 they were \$61,000 for Jasper Place, \$7,000 for Beverly, and an estimated \$1,000 for the Stony Plain-Sturgeon portion, a total of \$69,000.
- (c) Loss of tuition fees of about \$10,000 reduces Edmonton's other revenue from \$195,000 to \$185,000.
- (d) Total for area apportioned according to the assessment percentages on top line.
- (e) The total of \$5,102,000 is the estimated expenditure of the whole area shown in Table 7.
- (f) According to estimates made in Table 3 and percentage distribution of units therein.

We turn next to revenue estimates for 1954 and assume again that the apportionments of requisitions are made on the basis of the assessment percentages in Table 2 (Assessment 1954) and Table 4 (Assessment 1954A). Table 12 shows the results when we gaze thus into the future and the projected industries have been put in place in the Clover Bar area.

TABLE 12

**Estimated Revenues in 1954 and Their Apportionment Among
the Units of the Proposed Large District**

(000's omitted)

	E.P.S.	E.S.S.	Jasper Place	Bev- erley	Clover Bar (part)	S.P. & Stur. (part)	Total
1954 Assessment: (a)	67.7%	11.8%	2.1%	0.5%	17.4%	0.5%	100.0%
Grants (b)	\$454	\$108	\$80(c)	\$25(c)	\$8	\$13(c)	\$688
Other revenue (d)	224	12	1	—	—	—	237
Requisitions (e)	3,578	623	111	26	666	26	5,283
Total required revenue (f)	\$4,256	\$743	\$192	\$51	\$674	\$39	\$6,208
1954A Assessment: (g)	72.1%	12.6%	1.7%	0.5%	12.6%	0.5%	100.0%
Grants (b)	\$454	\$108	\$80(c)	\$25(c)	\$8	\$13(c)	\$688
Other revenue (d)	224	12	1	—	—	—	237
Requisitions (e)	3,809	666	90	26	919	36	5,283
Total required revenue (f)	\$4,487	\$786	\$171	\$51	\$627	\$39	\$6,208

- (a) According to estimates made in Table 2 and percentage distribution of units therein.
- (b) According to estimates in Table 10.
- (c) The figures in Table 11 adjusted proportionately by the increases in pupil enrolment.
- (d) See Table 10. The Edmonton Public School Board figure has been reduced by \$12,000 in fees lost.
- (e) Total for area apportioned according to the assessment percentages on the top line.
- (f) The total of \$6,208,000 is the estimated expenditure of the whole area shown in Table 8.
- (g) According to estimates made in Table 4 and percentage distribution of units therein.

We have now to try to summarize the results of the various estimates. This is done by adding gains in terms of increased expenditures and losses in terms of increased taxes. The results are tabulated below in Table 13.

TABLE 13

**Summary and Reconciliation of Gains and Losses of Units Within
the Proposed District, 1951 and 1954**

(000's omitted)

(— denotes loss)

	E.P.S.	E.S.S.	Jasper Place	Beverly	Clover Bar (part)	S.P. & Stur. (part)	Total
1951							
Assessment 1952							
Expenditure gain or loss (a)	\$0	\$0	\$139	\$31	\$0	\$2	\$172
Tax gain or loss (b)	—2	—44	—6	4	—201	—3	—252
Net gain or loss	—\$2	—\$44	—\$133	\$35	—\$201	—\$1	—\$80 (c)
Assessment 1952A							
Expenditure gain or loss (a)	\$0	\$0	\$139	\$31	\$0	\$2	\$172
Tax gain or loss (b)	—85	—57	16	8	—135	1	—252
Net gain or loss	—\$85	—\$57	\$155	\$39	—\$135	\$3	—\$80 (c)
1954							
Assessment 1954							
Expenditure gain or loss (b)	\$0	\$0	\$176	\$36	\$0	\$3	\$215
Tax gain or loss (d)	513	36	7	12	—864	2	—294
Net gain or loss	\$513	\$36	\$183	\$48	—\$864	\$5	—\$79 (e)
Assessment 1954A							
Expenditure gain or loss (b)	\$0	\$0	\$176	\$36	\$0	\$3	\$215
Tax gain or loss (d)	282	—7	28	12	—\$611	2	—294
Net gain or loss	\$282	—\$7	\$204	\$48	—\$611	\$5	—\$79 (e)

- (a) See Table 7.
- (b) Obtained by subtracting requisitions as set out in Table 11 from "requisitions less surplus" figure in Table 9 (last column).
- (c) Represented by loss of equalization grants of \$70,000 and loss of fees of \$10,000.
- (d) Obtained by subtracting requisitions as set out in Table 12 from requisitions in Table 10.
- (e) Loss of equalization grants,, etc.

Some observations can now be made before going further to examine the impact upon Clover Bar School Division as a whole and upon the industries concerned.

The 1951 estimates indicate that there would have been significant gains only for Beverly and Jasper Place. This result follows because the industrial assessment of Clover Bar, taken as of 1952, would not yet have been large enough to offset the expenditure increases. Further, there would have been a loss of provincial grants. Under Assessment 1952, the tax levies would have been higher in all units except Beverly; even that of Jasper Place would have been higher because of its 100 per cent buildings and improvements assessment as against 60 per cent in Edmonton. Under Assessment 1952A the losses to Edmonton would have been greater, Clover Bar's loss would have

been smaller, and Jasper Place and Beverly would have gained because of the uniformity of assessment.

For 1954 substantial gains are indicated for most units. If Assessment 1952 (non-uniform) is taken, all units except Clover Bar would gain. But the assessment in question is discriminatory in its 60 per cent valuation of buildings and improvements within the City of Edmonton and 100 per cent outside. Consequently the Assessment 1954A estimates are the relevant ones to examine carefully here since the buildings and improvements assessments have been adjusted to 60 per cent and for the change in the price level 1942-45. These estimates reveal that the City of Edmonton's school tax levy would be reduced by \$275,000 (\$282,000 — \$7,000), a reduction of about 6 per cent out of a requisition of \$4,750,000 for 1954 (see Table 10). The Jasper Place tax levy would be reduced by \$28,000 out of a requisition of \$118,000 or about 23 per cent. The Beverly tax levy would be reduced by \$12,000 out of a requisition of \$38,000 or about 31 per cent. Clover Bar would contribute \$666,000 to the district, a net loss of \$611,000 to the Clover Bar division at the metropolitan school district level of taxation.

Such transfers of tax revenues might be in their place if the tax level per capita and the cost of education were both lower in rural areas. But such is not the case as is shown later. Indeed, the tax levy in Edmonton could be increased by 10 per cent or more before it would equal the tax per capita in the surrounding rural area. This would more than wipe out the 6 per cent transfer from the rural area implicit in the estimates. Further, if the cost of rural education is higher than the urban, the inequity of revenue transfers from rural to urban units would be even greater.

FINANCIAL EFFECTS UPON CLOVER BAR SCHOOL DIVISION

The Gertler Report estimates the loss of revenue of Clover Bar School Division for 1951 at \$106,080 (see page 3 of Notes on the Impact). The gap would widen if school expenditures rise.

A higher level of taxation would be most inequitable because the tax load is already higher in Clover Bar than in the City of Edmonton. The setting up of a special grant to Clover Bar by the province would stimulate demands for similar grants throughout the province. The Clover Bar division has just as much right to raise its level of educational services as the urban area. The cost of providing rural education is higher than providing urban education at equivalent levels.

EFFECTS UPON INDUSTRIAL DEVELOPMENT

There are presumptions for stating that property taxes constitute a significant portion of costs of chemical and refining plants since they have a high proportion of capital investment in relation to production and annual expenses. Large capital investment means high assessment and consequently large property taxes. The number of employees is relatively small and the burden they might throw upon the city by living in it is small relatively to the assessment and revenue of the

plants they work in. The case for inclusion of the plants on the basis of workers' residence on whatever grounds is by no means cut and dried.

The industries concerned have come in having considered certain levels of taxation. If efforts are made to tax them at higher than expected levels, the profitability of the investments made is reduced. If the profitability of industry is reduced, future industrial development will be retarded. The province is encouraging industrial development, and costs which might hamper it should not be imposed.

Some Further Aspects

There are several other matters which require attention. One is the matter of education costs in urban and rural areas; another is the question of rural and urban tax levels; a further one is the highly complex one of general benefits derived by rural and urban residents from government services.

COSTS OF EDUCATION

Rural costs of education per pupil are higher than urban if standards of services are to be equivalent. Rural areas which provide salaries that attract and hold well-qualified teachers as well as good buildings and adequate equipment have expenditures per pupil which, on the average, exceed those of urban cntrs. Transportation costs do not necessarily add directly to expenditures under such conditions for rural school areas which have many small schools with low enrolments may have as high, and even higher, costs per pupil than areas which have provided transportation and reduced the number of rooms.

Studies of school costs made in the United States show that educational costs are higher in the country than in the city for comparable programs, either because of smaller classes or, if the schools are consolidated, because of additional transportation costs. Studies undertaken in connection with congressional hearings on federal aid to education indicated that for purposes of establishing need for funds, each rural child should be given the weight of 1.4 as against 1.0 for each urban child (Hearings, Sen. Comm. on Education and Labour on S. 1305, "Federal Aid to Education Act of 1939", 76th Congress, 1st Session (Washington, 1939), pp. 50-51).

One does not need to use American findings alone on this matter. Table 14 below indicates that the rural expenditure per child in Alberta is considerably higher than the urban. Thus consolidated schools, the most rural group of the categories shown, have the highest costs per pupil. Undoubtedly school division expenditures per pupil would be considerably higher if no towns and villages with their higher enrolments per room and with no transportation costs were excluded. Here, indeed, is a local government function whose rural cost is higher than the urban one. Under such circumstances it becomes imperative to consider carefully any proposal to transfer revenue from rural areas to urban units. It is imperative both from the point of view of the highly-burdened rural taxpayer and the rural school child.

TABLE 14**Expenditure Per Pupil Enrolled in Alberta Schools, 1950-51**

(to the nearest dollar)

All schools	166
School divisions (including many town and village districts) ..	185
City schools, public schools	153
Town and village public schools not in divisions	125
Consolidated schools	191
R.C. Separate schools	114

Source: Department of Education, Annual Report, 1951, p. 181.

In the case at hand, the city in question, Edmonton, has the highest expenditure per pupil of all the Alberta cities. This is shown in Table 15. Although this does not necessarily prove that Edmonton school standards are higher than that of other cities, there is a presumption that they are higher. The Edmonton School Board has decided to provide for higher expenditures than other cities in order to provide a high standard of service. It is praiseworthy to see appropriations for a service increased if the citizens concerned desire this. But they must be prepared to pay for this higher standard. Subsidization of a unit which provides a higher level of service than other members of its group by units which have to struggle to attain the same, or even lower, level is hardly equitable. The rural units are beginning to approach the level of service provided in the cities after many years of sub-standard service.

TABLE 15**School Expenditure Per Pupil Enrolled of the Public Schools of the Cities of Alberta, 1950-51**

(to the nearest dollar)

Edmonton	163
Lethbride	152
Calgary	148
Red Deer	138
Medicine Hat	133
Wetaskiwin	123
Drumheller	118

Source: Department of Education, Annual Report, 1951, Tables 5 and 31 (b).

Table 16 provides a summary of the range of expenditure per pupil among school divisions. A notable point is that 40 out of the 57 school divisions had expenditures per pupil in excess of that of Edmonton, the city ranking highest among the cities. Lac La Biche compares with the lowest city, Drumheller. Clover Bar has far from an exceptionally high expenditure per pupil; it ranked 36th out of 57 divisions. Sturgeon and Stony Plain ranked even farther down in the scale.

TABLE 16

School Expenditure Per Pupil Enrolled in Some School Divisions in Alberta, 1950-51

Rank	Division	Dollars Per Pupil
1	Berry Creek	425
5	Drumheller	308
10	Acadia	244
15	Wheatland	233
20	Calgary	207
25	Coal Branch	192
30	Athabasca	176
35	Thorhild	170
36	Clover Bar	169
40	Olds	166
45	Sturgeon	158
49	Stony Plain	143
50	Edson	143
55	Bonnyville	135
56	Fort Vermilion	135
57	Lac La Biche	117

Source: Department of Education, Annual Report, 1951, Tables 26(b) and 27. There were 57 divisions altogether.

Finally, Table 17 is presented to show the levels of expenditure in the towns. Again, on a per pupil basis they are comparable to those of the cities. As a group towns tend to rank lower. Beverly ranks 18th and Jasper Place last out of 22 towns.

The above data certainly suggest that the cost of education is higher in rural areas. Differences among the school divisions can be accounted for in terms of sparsity of population, inclusion of towns and villages, and fiscal capacity. Differences among the cities and towns arise chiefly from differences in fiscal capacity and possibly from differences in size. School board policies no doubt play a part in all cases.

The data also suggest that a number of towns are limited by low fiscal capacity. Beverly and Jasper Place are among these towns. One of the remedies for Beverly and Jasper Place would seem to be to raise the average assessment limit required for eligibility to receive equalization grants from \$110,000 per room to \$130,000 per room and to pay \$16 per \$1,000 of assessment deficiency per room instead of \$9. Such a change would give these units \$320 more grant per room under the rate of \$16 per \$1,000 deficiency, plus an increase of 7/9 of the existing equalization grants.

TABLE 17
Expenditure Per Pupil Enrolled in Alberta Towns, 1950-51

Rank	Town	Per Pupil Dollars
1	Three Hills	173
2	Grande Prairie	165
3	McMurray	162
4	Blairmore	160
5	Olds	152
6	Waterways	150
7	Raymond	145
8	Bonnyville	139
9	Hanna	129
10	Innisfail	128
11	St. Paul	124
12	Camrose	123
13	Coleman	122
14	Brooks	121
15	Hardisty	115
16	Redcliff	113
17	Stettler	109
18	Beverly	108
19	High River	106
20	Sylvan Lake	98
21	Morinville	94
22	Jasper Place	89

Source: Department of Education, Annual Report, 1951, Tables 5 and 32(b).

PROPERTY TAX LEVELS

Another point that has been overlooked is that the level of property taxes per person is higher in the municipal districts than in the cities, towns and villages. If taxes on business are separated out the differential would be even greater for rural consumers purchase the bulk of their requirements from urban businesses and hence pay a part of the property taxes of those businesses since these taxes tend to be incorporated in prices as an overhead cost. Table 18 illustrates the tax differentials.

TABLE 18
Property Taxes in Alberta Local Government Units, 1951

	Cities	Towns	Villages	M.D.'s
Population (000's)	342	103	43	300
Current Levy (000's)	\$18,368	\$4,407	\$1,874	\$18,045
Education requisition (000's)	\$ 8,043	\$2,016	\$ 933	\$ 8,726
Current levy per person	\$ 54	\$ 43	\$ 44	\$ 60
Education requisition per person	\$ 24	\$ 20	\$ 22	\$ 29

Source: Department of Municipal Affairs.

The data in Table 18 suggest that before rural districts are deprived of industrial and business assessments, the urban units should exploit their own revenue bases further. It is not equitable to deprive rural districts of revenue when the burden of taxation is lighter in cities than in towns.

Mill rate comparisons of tax burdens are of little use when applied to units with varying assessment practices. Thus the cities do not assess buildings and improvements at 100 per cent but at 60 per cent. The values are based upon prices in different years in the various units. Assessment criteria and methods differ under the assessors in different jurisdictions.

There are grounds for suggesting that property taxes absorb a higher percentage of the income of the farm population than of the non-farm population. Table 19 was prepared by utilizing income and tax statistics of the Dominion Bureau of Statistics and of the Department of Municipal Affairs. Unfortunately similar income data are not available for smaller units such as Strathcona, or even Edmonton. Table 19 indicates that property taxes weigh more heavily upon the incomes of the farm population than upon the incomes of the non-farm population. Complete data for 1951 are not yet available.

With respect to property taxes per person, data for local government units are available and are presented in Table 20. They suggest that rural taxation per person is higher than in Edmonton.

TABLE 19

Personal Income Received By and Property Taxes Paid By the Farm and Non-Farm Population in Alberta, 1946-50

	(in millions of dollars)				
	1946	1947	1948	1949	1950
Personal income:					
Farm population	259	282	380	355	327
Non-farm population	407	427	490	541	580
Total	666	709	870	896	907
Property taxes:					
Farm population	11.4	12.9	15.2	17.3	18.1
Non-farm population	13.8	15.6	17.8	20.5	23.8
Total	25.2	28.5	33.0	37.8	41.9
Property taxes as a percentage of personal income:					
Farm population	4.4	4.6	4.0	4.9	5.5
Non-farm population	3.4	3.7	3.7	3.8	4.1
Total population	3.7	4.0	3.8	4.2	4.6

Sources: D.B.S., National Accounts, Income and Expenditure, 1926-1950, and other D.B.S. data; Department of Municipal Affairs, Annual Reports, 1946-50.

Note: The farm population includes farmers, farm laborers, and their families.

The income of the farm population includes the net income of farmers and their families from farm operations, dividends, interest, rentals, and government transfer payments and the income of farm laborers from wages and salaries and the other sources mentioned. The non-farm population consists of all people residing in cities, towns, villages, and hamlets.

TABLE 20
Property Taxes in Edmonton and Four Adjacent
Municipal Districts in 1951

	Edmonton	Strath- cona	Sturgeon	Morin- ville	Stony Plain
Population	159,631	7,017	7,922	5,252	7,508
Current levy (000's)	\$9,253(a)	\$529			
	\$7,520(b)	\$358(c)	\$370	\$301	\$401
Education requisition (000's)	\$4,130	\$286	\$223	\$150	\$165
Current levy per person	\$ 58	\$ 75			
	\$ 47	\$ 51	\$ 47	\$ 57	\$ 53
Education levy per person ...	\$ 26	\$ 41	\$ 28	\$ 29	\$ 22

Sources: Financial statements for 1951 of the units concerned.

- (a) Includes business tax and special assessments.
- (b) Excludes business tax and special assessments.
- (c) Excludes buildings and improvements assessment, thus omitting the industrial area and other buildings and improvements.

If one excludes the business taxes and special assessments of Edmonton and the buildings and improvements assessment portion for Strathcona, the tax levy per capita is found to be higher in all the rural municipalities than in Edmonton except in Sturgeon which had the same level as Edmonton. Similarly, only Stony Plain had a school tax per person lower than that of Edmonton. The figures for Strathcona are exceptionally high if total assessment is considered; they are still above the Edmonton figures after taking out the buildings and improvements portion of the assessment. If incomes of the residents of the area are considered, few people would suggest that the income per person is higher in Stony Plain Municipal District than in Edmonton since Stony Plain is one of the poorer municipalities in the province. It is also a very dubious proposition to state that residents of Strathcona have a higher income per person than those of Edmonton. Strathcona is by no means the wealthiest municipality in the province in terms of the incomes of its people.

Data for Jasper Place are lacking for 1951. The 1950 tax levy indicates a very low property tax per person. In that year the total levy equalled \$14 per person while the school requisition equalled \$8 per person. In the same year, Strathcona's levy per person was \$67 or nearly five times as much. In that year, too, Strathcona had only a small proportion of industrial assessment. It is very doubtful if the incomes of Strathcona residents are, on the average, nearly five times those of Jasper Place residents. The total tax levy in Edmonton in 1950 equalled \$49 per person after including business taxes and special assessments. The education requisition in 1950 was \$30 per person in Strathcona, \$23 in Edmonton, \$8 in Jasper Place, and \$9 in Beverly. The total tax levy in Beverly was about \$17 per person. It does not seem that on an overall basis tax levies in Jasper Place and Beverly are excessive.

NET BENEFITS FROM GOVERNMENT SERVICES

City and country are interdependent parts of the economy. Any attempt to draw arbitrary lines to show how one benefits and assists the other is fraught with difficulties. Town planning constitutes an attempt to regulate urban development so as to secure the best uses for land and to make a metropolitan area a pleasant place in which to live. But it is not at all certain that equity in municipal finance is secured by making the boundaries of local government units coincide with those of specific land use areas. Country dwellers use the facilities of the city and they are dependent upon the marketing and distributing machinery of the city. City dwellers also use the facilities of the country, especially roads, and the cities exist chiefly by virtue of their hinterlands. Industries such as oil firms can impose a heavy strain upon rural roads and upon rural schools and other public services. A high standard of education in rural areas redounds to the benefit of both country and city since it provides, in the long-run, a more productive group of workers for farms, factories, and offices.

The current proposal needs to be weighed very carefully. The tax burden is higher in Strathcona than in Edmonton; it must necessarily be higher in order to provide service levels which are comparable to those of the city for such services as education and roads. While workers in the industries outside the city may impose additional burdens on the city treasury, they also contribute directly in the form of property taxes and indirectly by swelling the receipts of city businesses, part of which receipts are paid as business taxes. Further, the industries concerned employ a small number of employees in relation to their capital investment and hence assessed value. The revenue from the taxation of these industries would exceed greatly the additional costs imposed upon the city by the employees. Rural consumers, too, contribute indirectly to urban property taxes. While the rural tax burden exceeds the city tax burden, the transfer of assessable property proposed is inequitable.

One example, among many, of rural indirect contributions to the city may be mentioned. There are 31 farm implement firms operating

businesses in Edmonton, with large payrolls, and a volume of business that runs into millions of dollars. These firms sell most of their products to residents of the surrounding rural area.

CAPITAL EXPENDITURES

The apparent crux of the Edmonton financial problem is found in the rate of capital spending rather than current spending. The difficulty is less one of collecting more taxes and revenues year by year than of finding lenders who will provide money for immediate capital expenditures required because of a rapid influx of population. The inclusion of the industrial assessment in Strathcona in a metropolitan school district would fail to meet the problem adequately, if at all. A large requisitioning body upon which few checks are imposed as to spending by the tax-levying units concerned could aggravate the financial problems of Edmonton. Any increased ability to pay in this case, as in the case of persons receiving increases in their income, begets spending, and the problem of making ends meet would remain. The thought occurs, too, that Edmonton is not using its taxable capacity fully. While rural tax levies per person rose rapidly during the 1940's, Edmonton's have remained relatively stable.

PROVINCIAL GRANTS

It has been proposed that Clover Bar School Division be given a grant to bridge the gap between the present expenditure upon schools and the shortfall in tax revenue which would result from the inclusion of the industrial area in a metropolitan school district. Such a grant has an undesirable feature in that special provincial legislation would be required, setting a precedent. It would encourage other school divisions and school districts to make representations to obtain special grants; there could well be a parade of Oliver Twists asking for more. Further, if the Clover Bar School Division wished to provide a higher level of services than that provided now, it would have to be done out of a higher tax per person. If the level of education is now lower in the rural area than in the city and tax burdens are higher, it seems inequitable to make a transfer of rural assessed values to the city.

It would be easier to adjust the grants to Jasper Place and Beverly within the present grants scheme by the method suggested previously, that is, by raising the qualifying assessment per room for equalization grant purposes to the \$130,000 limit which obtains for school divisions and of paying \$16 per \$1,000 assessment deficiency per room instead of \$9.

CONCLUSIONS

- (1) The proposal is undesirable because it suggests setting up a requisitioning unit which exceeds the tax-levying and many-function units in area. This is conducive to bad budgeting and lack of financial control over the proposed district and is detri-

mental to citizen understanding and interest in local government. It contradicts in principle the provincial government's county legislation.

- (2) Complicated assessment adjustments would have to be made if taxation is to be non-discriminatory. Thus there would have to be re-assessments either within or outside Edmonton to adjust for the different years used in establishing values and the assessment of buildings and improvements would have to be put on a uniform percentage basis.
- (3) Future industrial development will not necessarily be confined to the area proposed; it may well step outside the boundaries set out now. Frequent boundary changes involve not only continuous friction between the local government authorities involved but also confuse the electorate, thus undermining the institution of local government itself.
- (4) The establishment of a large requisitioning body on which few financial checks are imposed would encourage large increases in spending on schools which would impinge upon the ability of the municipalities concerned to provide other essential services. Both capital and current expenditures per person would tend to rise.
- (5) The separate school question requires some consideration. The status of the separate school board with respect to the level of expenditure to which it is entitled has not been clarified in the Gertler Report.
- (6) The City of Edmonton would have lost financially by amalgamation if it had been effective in 1951 because of the increased level of expenditure in Jasper Place, Beverly, etc., the loss of equalization grants, and the relatively small proportion of industrial assessment in Clover Bar.
- (7) The City of Edmonton would gain somewhat by 1954 if the present level of expenditure is not increased substantially. Such alleviation of the city tax burden, if any, would be at the expense of rural taxpayers.
- (8) The City area would continue to raise its own level of school services while the rural level would remain stationary or fall unless rural taxes were increased or provincial grants increased.
- (9) The attitude of the industries concerned must be considered carefully. Adverse effects upon costs of production would discourage further investment.
- (10) Educational costs are higher in the country than in the city for comparable programs, either because of smaller classes or, if the schools are consolidated, because of additional transportation costs. Consequently rural areas need more public funds for education than the cities.

- (11) The Edmonton Public School Board is currently spending more money per pupil on education than other comparable units, the City School Boards of Alberta. This is laudable if city ratepayers are willing to pay the required taxes.
- (12) Clover Bar School Division spends less per pupil on the average, than the school divisions of Alberta.
- (13) Property taxes per person are higher in the rural areas than the urban ones. The Edmonton rural and urban areas are no exception to this statement.
- (14) It can be argued that the farm population of Alberta pays a higher proportion of their incomes in property taxes than the non-farm population. The data available tend to substantiate this contention. Further, the farm population pays part of the business taxes of the urban centres indirectly.
- (15) In view of the foregoing it would be inequitable to transfer the industrial assessment in Clover Bar School Division to a metropolitan school district. It would deprive the rural area concerned of ability to provide a higher level of service which is costlier in rural than urban areas. Further, it would widen more than ever the differential between rural and urban tax burdens.
- (16) The proposal would fail to solve the capital expenditure problem of Edmonton which is THE financial problem of the city. It could even aggravate this problem.
- (17) A special provincial grant to Clover Bar to bridge the gap would establish an undesirable precedent which could become embarrassing to the provincial government. At the same time, such a grant would become essential if the industrial area were severed from the division.

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